

EAST JORDAN HOUSING COMMISSION  
EAST JORDAN, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name East Jordan Housing Commission	County Charlevoix
Fiscal Year End September 30, 2005	Opinion Date July 3, 2006	Date Audit Report Submitted to State August 1, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**2**  
**W**  
**2**

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Internal Control and Compliance Requirements		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature <i>Barry E. Gaudette</i> (P)		Printed Name Barry E. Gaudette, CPA		License Number 11050

EAST JORDAN HOUSING COMMISSION  
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December 31, 2005

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INTRODUCTION

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

***Independent Auditor's Report***

Board of Commissioners  
East Jordan Housing Commission  
East Jordan, Michigan

I have audited the accompanying financial statements of the business-type activities of the East Jordan Housing Commission, Michigan, a component unit of the City of East Jordan, as of and for the year ended December 31, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the East Jordan Housing Commission, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of December 31, 2005.

East Jordan Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated July 3, 2006, on my consideration of East Jordan Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise East Jordan Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of East Jordan Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Barry E. Taudeth, CPA, PC*

July 3, 2006

EAST JORDAN HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
December 31, 2005  
=====

East Jordan Housing Commission, created in 1967, by the City of East Jordan, provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

**Financial Highlights**

The financial statements for East Jordan Housing Commission consists of two programs. The first is owned housing, consisting of 28 units of public housing and the second is the capital funding program. East Jordan Housing Commission had total revenues of \$170,137 that includes \$74,763 in rental payments and \$83,570 in federal assistance. Total operating expenses were \$157,338, that includes \$68,977 in administrative expenses, \$24,177 in utilities, \$21,608 in ordinary maintenance expenses, and \$30,466 in depreciation expense. Total revenues increased by \$22,734 from the prior year and operating expenses increased by \$6,074 from the prior year for a net increase of \$16,660, due in part to the increase in federal grants.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent year by \$553,376. The Housing Commission's total net assets increased by \$12,799 from the prior year. The increase is attributable in part to the federal grants increasing from the prior year.

Total assets of the Housing Commission were \$585,715 including \$169,698 of current assets and \$416,017 of net property, plant, and equipment assets. The Housing Commission had current liabilities of \$27,239. Assets increased, in part, by \$10,772 from the prior year for the same reason mentioned in the previous paragraph.

The financial condition of the Housing Commission continues to improve.

## Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- \* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- \* Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- \* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

## Commission's current position

During 2005, the East Jordan Housing Commission saw an opportunity to purchase land adjoining our current Lakeview Manor Senior Apartment Building. We were approved by HUD to purchase this land and are currently trying to work out finances so that we can build additional senior apartments, as there is a great need for them in the East Jordan area. The purchase price of that additional property was \$96,000, which we paid in full.

We have hired a maintenance man who can not only handle maintenance and upkeep, but also has the ability to build and do remodeling. The East Jordan Housing Commission has strived to maintain the apartments and homes that we have, but there has been a need for modernization of our senior apartments and our Board has made this a goal. This modernization includes new kitchen cabinets, new bathroom cabinets, new vinyl, carpeting, and more. These improvements will be very costly, but are much needed. Presently we are working on two apartments and plan to continue with additional apartments; we are also planning new kitchen cabinets, carpeting, and draperies for our Community Room.

With these goals in mind, we work hard to provide clean, safe, and up-dated homes for our residents.

Other than what has been described in the pervious paragraphs there are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Ginny Carey, Executive Director  
451 Water Street  
East Jordan, Michigan 49727



### Financial Analysis of the Housing Commission

The following condensed statement of net assets show a summary of changes for the years ended December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$ 169,698	\$ 274,221	\$ ( 104,523)
Property and equipment	<u>416,017</u>	<u>300,722</u>	<u>115,295</u>
Total assets	<u>\$ 585,715</u>	<u>\$ 574,943</u>	<u>\$ 10,772</u>
Current liabilities	\$ 27,239	\$ 34,366	\$ ( 7,127)
Noncurrent liabilities	<u>5,100</u>		<u>5,100</u>
Total liabilities	<u>32,339</u>	<u>34,366</u>	<u>( 2,027)</u>
Net assets:			
Invested in capital assets	416,017	300,722	115,295
Unrestricted net assets	<u>137,359</u>	<u>239,855</u>	<u>( 102,496)</u>
Total net assets	<u>553,376</u>	<u>540,577</u>	<u>12,799</u>
Total liabilities and net assets	<u>\$ 585,715</u>	<u>\$ 574,943</u>	<u>\$ 10,772</u>

### Financial Analysis of the Housing Commission (continued)

The following table summarizes the statement of activities of the Housing Commission for the years ended December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
<b>Operating revenues:</b>			
Dwelling rent	\$ 74,763	\$ 81,929	\$ ( 7,166)
Nondwelling rent		<u>2,597</u>	<u>( 2,597)</u>
Total operating revenues	<u>74,763</u>	<u>84,526</u>	<u>( 9,763)</u>
<b>Operating expenses:</b>			
Administration	68,977	53,212	15,765
Tenant services	547	204	343
Utilities	24,177	24,389	( 212)
Ordinary maintenance and operation	21,608	24,909	( 3,301)
General expenses	11,563	10,746	817
Extraordinary maintenance		10,335	( 10,335)
Depreciation	<u>30,466</u>	<u>27,469</u>	<u>2,997</u>
Total operating expenses	<u>157,338</u>	<u>151,264</u>	<u>6,074</u>
Operating income (loss)	<u>( 82,575)</u>	<u>( 66,738)</u>	<u>( 15,837)</u>
<b>Non-operating revenue:</b>			
Interest income	9,182	7,818	1,364
Other income	2,622	697	1,925
Operating grants	33,626	39,595	( 5,969)
Capital grants	<u>49,944</u>	<u>14,767</u>	<u>35,177</u>
Total nonoperating revenue	<u>95,374</u>	<u>62,877</u>	<u>32,497</u>
<b>Change in Net Assets</b>	<u>\$ 12,799</u>	<u>\$ ( 3,861)</u>	<u>\$ 16,660</u>

FINANCIAL STATEMENTS

EAST JORDAN HOUSING COMMISSION  
STATEMENT OF NET ASSETS  
December 31, 2005  
=====

ASSETS

Current Assets:

Cash	\$ 73,784
Accounts receivable-HUD	16,747
Accounts receivable-miscellaneous	326
Accounts receivable-dwelling rents	972
Accrued interest receivable	992
Investments-unrestricted	76,139
Prepaid expenses	<u>738</u>

Total Current Assets 169,698

Property and Equipment:

Land	169,843
Buildings	757,036
Equipment	54,066
Building improvements	84,711
Construction in progress	<u>12,732</u>
	1,078,328
Less: accumulated depreciation	<u>( 662,311)</u>

Net Property and Equipment 416,017

Total Assets \$ 585,715

See notes to financial statements

EAST JORDAN HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
December 31, 2005  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 18,409
Tenant security deposit liability	2,600
Accrued expenses	6,076
Deferred revenues	<u>154</u>
Total Current Liabilities	27,239
Noncurrent Liabilities:	
Accrued compensated absences	<u>5,100</u>
Total Liabilities	<u>32,339</u>
Net Assets:	
Invested in capital assets	416,017
Unrestricted net assets	<u>137,359</u>
Total Net Assets	<u>553,376</u>
Total Liabilities and Net Assets	<u>\$ 585,715</u>

See notes to financial statements

EAST JORDAN HOUSING COMMISSION  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2005  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 74,763
Total operating revenues	<u>74,763</u>

**OPERATING EXPENSES:**

Administration	68,977
Tenant services	547
Utilities	24,177
Ordinary maintenance and operation	21,608
General expenses	11,563
Depreciation	<u>30,466</u>
Total operating expenses	<u>157,338</u>

Operating income(loss)	<u>( 82,575)</u>
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**NONOPERATING REVENUES:**

Investment interest income	9,182
Other income	2,622
Operating grants	33,626
Capital grants	<u>49,944</u>

Total nonoperating revenues	<u>95,374</u>
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Change in net assets	12,799
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Prior period adjustment	( 1,068)
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Net assets, beginning	<u>541,645</u>
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Net assets, ending	<u>\$ 553,376</u>
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See notes to financial statements

EAST JORDAN HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2005  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 73,334
Cash payments to other suppliers of goods and services	( 51,754)
Cash payments to employees for services	( 64,895)
Cash payments for in lieu of taxes	<u>( 10,315)</u>
Net cash (used) by operating activities	<u>( 53,630)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

Tenant security deposits	( 450)
Operating grants	25,918
Other revenue	<u>2,761</u>
Net cash provided by noncapital financing activities	<u>28,229</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Capital grants	49,944
Payments for capital acquisitions	<u>(145,761)</u>
Net cash (used) by capital and related financing activities	<u>( 95,817)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments reduced	146,493
Receipts of interest and dividends	<u>8,621</u>
Net cash provided by investing activities	<u>155,114</u>

Net increase(decrease) in cash	33,896
Cash, beginning	<u>39,888</u>
Cash, ending	<u>\$ 73,784</u>

EAST JORDAN HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended December 31, 2005  
=====

RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF CASH  
FLOWS TO THE BALANCE SHEET:

Cash	<u>\$ 73,784</u>
Cash and cash equivalents per balance sheet	<u>\$ 73,784</u>

SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:

Operating income(loss)	\$( 82,575)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	30,466
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 967)
Prepaid expenses	( 45)
Increase (decrease) in liabilities:	
Accounts payable	6,767
Accrued wages/payroll taxes	( 3,182)
Accrued compensated absences	2,409
Accrued payments in lieu of taxes	( 6,041)
Deferred revenues	<u>( 462)</u>
Net cash (used) by operating activities	<u>\$( 53,630)</u>

See notes to financial statements



EAST JORDAN HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of East Jordan Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

**The Reporting Entity**

East Jordan Housing Commission is a component unit of the City of East Jordan, a Michigan Home Rule City. The Housing Commission is a Public Housing Agency created by the City of East Jordan on February 7, 1967, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the East Jordan Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under contract, the Housing Commission constructed, maintains and operates 28 units of subsidized housing in the City of East Jordan, Michigan.

**Fund Financial Statements**

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

**Fund Accounting**

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities,

equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, East Jordan Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

#### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

## **Budgets and Budgetary Accounting**

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

## **Receivables**

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

## **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

## **Fixed Asset Capitalization**

Fixed assets with a cost to acquire or construct of \$600 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	40 years
Equipment and furnishings	5 - 20 years
Building improvements	10 - 20 years

## **Net Assets**

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

## **Operating Revenues and Expenses**

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-

of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

#### Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

#### Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation leave, the Executive Director has been given permission by the Board to accumulate 296 hours of unused vacation time. The Executive Director is the only employee eligible to receive vacation benefits during the fiscal year ended December 31, 2005.
- \* Sick leave, there is no accumulation of unused sick days allowed.
- \* Personal leave, there is not a policy for personal leave.

The amount of accumulated benefits at December 31, 2005, was \$5,922, and is recorded as a liability in the applicable funds.

#### Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

#### Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

#### **NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK**

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

#### Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$48,752 and the bank balance was \$75,279 of which \$75,279 was covered by federal depository insurance and a

collateral agreement. The Housing Commission has \$25 in petty cash.

### Investments

The Housing Commission had the following investments at Huntington National Bank as of December 31, 2005:

Certificate of deposits \$ 75,140

The Housing Commission had the following investments at Charlevoix State Bank as of December 31, 2005:

Certificate of deposits \$ 26,006

*Interest Rate Risk* - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- |                                     |            |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes              | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and  |
| 3. Mortgage Backed Securities       | - 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand	\$ 25
Carrying amount of deposits	48,752
Investments	<u>101,146</u>
Total	<u>\$ 149,923</u>
Cash and cash equivalents:	
Enterprise activities	\$ 176,450
Enterprise activities - checks written in excess of deposits	<u>( 26,527)</u>
Total	<u>\$ 149,923</u>

**NOTE 3: RECEIVABLES AND PAYABLES**

**Tenant Accounts Receivable**

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At December 31, 2005, the receivables were \$972 with \$-0- estimated as uncollectible. Bad debt expense was \$-0-.

**Due from HUD**

Amounts due from HUD represents advanced funding that was less than the Housing Commission's actual expenses for the programs financed. Balances at December 31, 2005 were as follows:

Capital Fund Program	<u>\$ 16,747</u>
----------------------	------------------

**Inter-fund Receivables, Payables, and Transfers**

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". The interfund payable to the Low Rent Program from the Capital Fund Program as of December 31, 2005 was \$16,747.

There were no individual fund operating transfers during the fiscal year from the capital fund program to the low rent program.

#### NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance</u> <u>12/31/04</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/05</u>
<b>Low Rent Program</b>				
Land	\$ 72,957	\$ 96,886	\$	\$ 169,843
Buildings	698,919			698,919
Furniture, equip. & machinery - dwellings	17,548			17,548
Furniture, equip. & machinery - administration	31,766			31,766
Building improvements	<u>84,711</u>	<u></u>	<u></u>	<u>84,711</u>
	905,901	<u>\$ 96,886</u>	<u>\$</u>	1,002,787
Less accumulated depreciation	<u>( 631,639)</u>	<u>\$ ( 27,353)</u>	<u>\$</u>	<u>( 658,992)</u>
Total	<u>\$ 274,262</u>			<u>\$ 343,795</u>
<b>Capital Fund Program</b>				
Buildings	\$	\$ 58,117	\$	\$ 58,117
Furniture, equip. & machinery - dwellings	423	1,233		1,656
Furniture, equip. & machinery - administration	1,141	1,895		3,036
Construction in progress	<u>25,102</u>	<u></u>	<u>12,370</u>	<u>12,732</u>
	26,666	<u>\$ 61,245</u>	<u>\$ 12,370</u>	75,541
Less accumulated depreciation	<u>( 206)</u>	<u>\$ ( 3,113)</u>	<u>\$</u>	<u>( 3,319)</u>
Total	<u>\$ 26,460</u>			<u>\$ 72,222</u>
<b>Combined Totals</b>				<u>\$ 416,017</u>

## NOTE 5: INVESTED IN CAPITAL ASSETS

The following is a summary of the activity in the Invested in Capital Assets account:

	Invested in Capital Assets
Balance, beginning (contributed capital)	\$ 300,722
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>115,295</u>
Balance, ending	<u>\$ 416,017</u>

## NOTE 6: OTHER INFORMATION

### A. Pension Plan

The Housing Commission participates with the City of East Jordan in a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer and employee contributions with complete vesting after 10 years of service. At December 31, 2005, the date of the last completed actuarial evaluation, the City of East Jordan and Housing Commission's combined present value of accrued benefits for retirement benefits was \$2,266,273 (employer and employee combined). Assets available to meet this obligation were \$2,483,887, for an overfunded present value of accrued benefits of \$217,614. The total required employer contribution was \$76,824 and each employee contributes 3% of compensation. A copy of the MERS report can be obtained from MERS by calling (800) 767-6377 or further details are available from East Jordan Housing Commission, 451 Water Street, East Jordan, MI 49727.

### B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

### C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the



three prior fiscal years.

#### D. Implementation of New Accounting Standard

As of and for the year ended December 31, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

#### E. Prior Period Adjustments, Equity Transfers and Correction of Errors

##### Capital Fund Program

To correct prior year soft cost expenses      \$( 1,068)

#### NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended December 31, 2005, was as follows:

	Low Rent Program	Capital Fund Program
<b>Condensed Statement of Net Assets</b>		
Current assets	\$ 169,698	\$ 16,747
Property and equipment	343,795	72,222
Total assets	<u>\$ 513,493</u>	<u>\$ 88,969</u>
Current liabilities	\$ 27,239	\$ 16,747
Noncurrent liabilities	5,100	
Total liabilities	<u>32,339</u>	<u>16,747</u>
Net assets:		
Invested in capital assets	343,795	72,222
Unrestricted net assets	137,359	
Total net assets	<u>481,154</u>	<u>72,222</u>
Total liabilities and net assets	<u>\$ 513,493</u>	<u>\$ 88,969</u>

	Low Rent Program	Capital Fund Program
<b>Condensed Statement of Activities</b>		
Dwelling rent	\$ 74,763	\$
Depreciation	( 27,353)	( 3,113)
Other operating expenses	( 120,597)	( 6,275)
Operating(loss)	( 73,187)	( 9,388)
Nonoperating revenues:		
Investment interest income	9,182	
Other income	2,622	
Operating grants	27,352	6,274
Capital grants		49,944
Change in net assets	( 34,031)	46,830
Prior period adjustments, equity transfers and correction of errors		( 1,068)
Beginning net assets	515,185	26,460
Ending net assets	<u>\$ 481,154</u>	<u>\$ 72,222</u>
<b>Condensed Statement of Cash Flows</b>		
Net cash provided(used) by:		
Operating activities	\$( 47,355)	\$( 6,275)
Noncapital financing activities	23,023	5,206
Capital and related financing activities	( 96,886)	1,069
Investing activities	<u>155,114</u>	
Net increase(decrease)	33,896	
Beginning cash and cash equivalents	39,888	
Ending cash and cash equivalents	<u>\$ 73,784</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

EAST JORDAN HOUSING COMMISSION  
COMBINING STATEMENT OF NET ASSETS

December 31, 2005

=====

	Low Rent Program <u>14,850</u>	Capital Fund Program <u>14,872</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 73,784	\$ 16,747
Accounts receivable-HUD		
Accounts receivable-miscellaneous	326	
Accounts receivable-dwelling rents	972	
Accrued interest receivable	992	
Investments-unrestricted	76,139	
Prepaid expenses	738	
Interprogram due from	<u>16,747</u>	
Total current assets	<u>169,698</u>	<u>16,747</u>
Property and equipment:		
Land	169,843	
Buildings	698,919	58,117
Equipment	49,314	4,692
Building improvements	84,711	
Construction in progress		<u>12,732</u>
	<u>1,002,787</u>	<u>75,541</u>
Less accumulated depreciation	<u>( 658,992)</u>	<u>( 3,319)</u>
Net property and equipment	<u>343,795</u>	<u>72,222</u>
Total Assets	<u>\$ 513,493</u>	<u>\$ 88,969</u>

Totals

\$ 73,784  
16,747  
326  
972  
992  
76,139  
738  
16,747

186,445

169,843  
757,036  
54,066  
84,711  
12,732  
1,078,328  
( 662,311)  
416,017  
\$ 602,462

EAST JORDAN HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
 December 31, 2005  
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 18,409	\$
Tenant security deposit liability	2,600	
Accrued expenses	6,076	
Deferred revenues	154	
Interprogram due to	<u>          </u>	<u>16,747</u>
Total current liabilities	27,239	16,747
Noncurrent liabilities:		
Accrued compensated absences	<u>5,100</u>	<u>          </u>
Total liabilities	<u>32,339</u>	<u>16,747</u>
Net assets:		
Invested in capital assets	343,795	72,222
Unrestricted net assets	<u>137,359</u>	<u>          </u>
Total net assets	<u>481,154</u>	<u>72,222</u>
Total Liabilities and Net Assets	<u>\$ 513,493</u>	<u>\$ 88,969</u>

Totals

\$ 18,409  
2,600  
6,076  
154  
16,747

43,986

5,100

49,086

416,017

137,359

553,376

\$ 602,462

EAST JORDAN HOUSING COMMISSION  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2005  
=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 74,763	\$
Nondwelling rent		
	<u>74,763</u>	
<b>OPERATING EXPENSES:</b>		
Administration	65,121	3,856
Tenant services	547	
Utilities	24,177	
Ordinary maintenance and operation	19,189	2,419
General expenses	11,563	
Depreciation	<u>27,353</u>	<u>3,113</u>
Total operating expenses	<u>147,950</u>	<u>9,388</u>
Operating income(loss)	<u>( 73,187)</u>	<u>( 9,388)</u>
<b>NONOPERATING REVENUES (EXPENSES) :</b>		
Investment interest income	9,182	
Other income	2,622	
Operating grants	27,352	6,274
Capital grants		<u>49,944</u>
Total nonoperating revenues (expenses)	<u>39,156</u>	<u>56,218</u>
Change in net assets	( 34,031)	46,830
Prior period adjustments, equity transfers and correction of errors		( 1,068)
Net assets, beginning	<u>515,185</u>	<u>26,460</u>
Net assets, ending	<u>\$ 481,154</u>	<u>\$ 72,222</u>



Totals

\$ 74,763

74,763

68,977

547

24,177

21,608

11,563

30,466

157,338

( 82,575)

9,182

2,622

33,626

49,944

95,374

12,799

( 1,068)

541,645

\$ 553,376

EAST JORDAN HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2005  
=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 73,334	\$
Cash payments to other suppliers of goods and services	( 45,479)	( 6,275)
Cash payments to employees for services	( 64,895)	
Cash payments for in lieu of taxes	<u>( 10,315)</u>	
Net cash (used) by operating activities	<u>( 47,355)</u>	<u>( 6,275)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Due from/to other programs	( 6,640)	6,640
Tenant security deposits	( 450)	
Operating grants	27,352	( 1,434)
Other revenue	<u>2,761</u>	
Net cash provided by noncapital financing activities	<u>23,023</u>	<u>5,206</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		49,944
Payments for capital acquisitions	<u>( 96,886)</u>	<u>( 48,875)</u>
Net cash provided(used) by capital and related financing activities	<u>( 96,886)</u>	<u>1,069</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments reduced	146,493	
Receipts of interest and dividends	<u>8,621</u>	
Net cash provided by investing activities	<u>155,114</u>	
Net increase(decrease) in cash	33,896	
Cash, beginning	<u>39,888</u>	
Cash, ending	<u>\$ 73,784</u>	<u>\$</u>

Totals

\$ 73,334

( 51,754)

( 64,895)

( 10,315)

( 53,630)

( 450)

25,918

2,761

28,229

49,944

( 145,761)

( 95,817)

146,493

8,621

155,114

33,896

39,888

\$ 73,784

EAST JORDAN HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended December 31, 2005  
=====

	Low Rent	Capital
	Program	Fund
	Program	Program
	<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF  
CASH FLOWS TO THE BALANCE SHEET:**

Cash	\$ <u>73,784</u>	\$ _____
Cash and cash equivalents per balance sheet	\$ <u>73,784</u>	\$ _____

**SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:**

Operating income(loss)	\$ ( 73,187)	\$ ( 9,388)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	27,353	3,113
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	( 967)	
Prepaid expenses	( 45)	
Increase (decrease) in liabilities:		
Accounts payable	6,767	
Accrued wages/payroll taxes	( 3,182)	
Accrued compensated absences	2,409	
Accrued payments in lieu of taxes	( 6,041)	
Deferred revenues	( 462)	
Net cash (used) by operating activities	<u>\$ ( 47,355)</u>	<u>\$ ( 6,275)</u>

Totals

\$ 73,784

\$ 73,784

\$ ( 82,575)

30,466

( 967)  
( 45)

6,767  
( 3,182)  
2,409

( 6,041)  
( 462)

\$ ( 53,630)

EAST JORDAN HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended December 31, 2005  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 27,352
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2005	Capital Fund Program	14.872	<u>56,218</u>
	Total		<u>\$ 83,570</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the  
accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

## EAST JORDAN HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

Year Ended December 31, 2005

=====

FDS Line Item No.		Low Rent Program <u>14,850</u>	Capital Fund Program <u>14,872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 73,784	\$
100	Total cash	<u>73,784</u>	
	Receivables:		
122	A/R-HUD other projects		16,747
125	A/R-miscellaneous	326	
126	A/R-tenants-dwelling rents	972	
129	Accrued interest receivable	<u>992</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>2,290</u>	<u>16,747</u>
	Current Investments:		
131	Investments-unrestricted	<u>76,139</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	738	
144	Interprogram due from	<u>16,747</u>	
	Total other current assets	<u>17,485</u>	
150	Total current assets	<u>169,698</u>	<u>16,747</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	169,843	
162	Buildings	698,919	58,117
163	Furn, equip & mach-dwellings	17,548	1,656
164	Furn, equip & mach-admin.	31,766	3,036
165	Building improvements	84,711	
166	Accumulated depreciation	( 658,992)	( 3,319)
167	Construction in progress		<u>12,732</u>
160	Total fixed assets, net of accumulated depreciation	<u>343,795</u>	<u>72,222</u>
180	Total noncurrent assets	<u>343,795</u>	<u>72,222</u>
190	Total Assets	<u>\$ 513,493</u>	<u>\$ 88,969</u>

Totals

\$ 73,784

73,784

16,747  
326  
972  
992

19,037

76,139

738  
16,747

17,485

186,445

169,843  
757,036  
19,204  
34,802  
84,711  
( 662,311)  
12,732

416,017

416,017

\$ 602,462



EAST JORDAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2005  
=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES AND EQUITY/NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 14,135	\$
321	Accrued wage/payroll taxes payable	5,254	
322	Accrued compensated absences-current portion	822	
333	Accounts payable-other government	4,274	
341	Tenant security deposits	2,600	
342	Deferred revenues	154	
347	Interprogram due to		<u>16,747</u>
310	Total current liabilities	27,239	16,747
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>5,100</u>	
300	Total liabilities	<u>32,339</u>	<u>16,747</u>
	Equity:		
508.1	Invested in capital assets	<u>343,795</u>	<u>72,222</u>
508	Total equity	343,795	72,222
	Net Assets:		
512.1	Unrestricted net assets	<u>137,359</u>	
513	Total equity/net assets	<u>481,154</u>	<u>72,222</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 513,493</u>	<u>\$ 88,969</u>

Totals

\$ 14,135

5,254

822

4,274

2,600

154

16,747

43,986

5,100

49,086

416,017

416,017

137,359

553,376

\$ 602,462

EAST JORDAN HOUSING COMMISSION  
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 74,763	\$
704	Tenant revenue-other		
705	Total tenant revenue	<u>74,763</u>	
706	HUD PHA grants	27,352	6,274
706.1	Capital grants		49,944
711	Investment income-unrestricted	9,182	
715	Other revenue	<u>2,622</u>	
700	Total revenue	<u>113,919</u>	<u>56,218</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	35,598	
912	Auditing fees	2,300	
914	Compensated absences	2,409	
915	Employee benefit contributions-adm.	18,305	
916	Other operating-administrative	6,509	3,856
	Tenant Services:		
924	Tenant services-other	547	
	Utilities:		
931	Water	6,005	
932	Electricity	7,657	
933	Gas	10,515	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	7,194	
942	Ordinary maint & oper-mat'ls & other	2,690	109
943	Ordinary maint & oper-contract costs	8,689	2,310
945	Employee benefit contributions- ordinary maintenance	616	
	General expenses:		
961	Insurance premiums	7,289	
963	Payments in lieu of taxes	<u>4,274</u>	
969	Total operating expenses	<u>120,597</u>	<u>6,275</u>
970	Excess operating revenue over operating expenses	<u>( 6,678)</u>	<u>49,943</u>

Totals

\$ 74,763

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74,763

33,626

49,944

9,182

---

2,622

---

170,137

35,598

2,300

2,409

18,305

10,365

547

6,005

7,657

10,515

7,194

2,799

10,999

616

7,289

---

4,274

---

126,872

---

43,265

EAST JORDAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended December 31, 2005  
 =====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
974	Depreciation expense	<u>27,353</u>	<u>3,113</u>
	Total other expenses	<u>27,353</u>	<u>3,113</u>
900	Total expenses	<u>147,950</u>	<u>9,388</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 34,031)	46,830
1104	Prior period adjustments, equity transfers and correction of errors		( 1,068)
1103	Beginning Net Assets	<u>515,185</u>	<u>26,460</u>
	Ending Net Assets	<u>\$ 481,154</u>	<u>\$ 72,222</u>

Totals

30,466

30,466

157,338

12,799

( 1,068)

541,645

\$ 553,376

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Housing Commissioners  
East Jordan Housing Commission  
East Jordan, Michigan

I have audited the financial statements of the business-type activities of the East Jordan Housing Commission, Michigan, (Housing Commission) as of and for the year ended December 31, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated July 3, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*  
East Jordan Housing Commission  
Page Two

**Compliance and Other Matters (continued)**

compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated July 3, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Sandlett, CPA, PC*

July 3, 2006



EAST JORDAN HOUSING COMMISSION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 December 31, 2005  
 =====

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Commission.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Housing Commission were discovered during the audit.
4. There were no major federal programs.
5. The auditors' report on compliance for federal award programs for the Housing Commission was not required.
6. Audit findings that are required to be reported in accordance with Section 510(a) or OMB Circular A-133 are reported in this Schedule.
7. Identification of federal programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$ 27,352	No	O	N/A	N/A
14.872	Capital Fund Program	<u>56,218</u>	No	O	N/A	N/A
	<b>Total</b>	<u>\$ 83,570</u>				

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Housing Commission was determined to be a low-risk auditee.

EAST JORDAN HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
December 31, 2005

=====

B. Financial Statement Findings	None
C. Federal Award Findings and Questioned Costs	None

EAST JORDAN HOUSING COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2005

=====

NONE

EAST JORDAN HOUSING COMMISSION

**ADJUSTING JOURNAL ENTRIES**

December 31, 2005

=====

<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

There were no adjusting journal entries necessary.

EAST JORDAN HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

DECEMBER 31, 2005

EAST JORDAN HOUSING COMMISSION  
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DECEMBER 31, 2005

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**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
East Jordan Housing Commission

I have audited the financial statements of the East Jordan Housing Commission ("Housing Commission") as of and for the year ended December 31, 2005, and have issued my report, thereon, dated July 3, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 6 showing the audit adjusting journal entries).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Barry E. Standish, CPA*

July 3, 2006



**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686  
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Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
East Jordan Housing Commission

I have audited the financial statements of the East Jordan Housing Commission ("Housing Commission") as of and for the year ended December 31, 2005, and have issued my report, thereon, dated July 3, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, P.C.*

July 3, 2006

EAST JORDAN HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
December 31, 2005  
=====

**Acceptance of Cash**

Currently the Housing Commission accepts cash, checks and money orders.

I recommend that the Housing Commission consider adopting a "no cash accepted" policy. There may be some exceptions allowed as determined by the Board.

**Tenant Accounting Software**

Currently the Housing Commission mails their fee accountant monthly information on changes in tenants rent and receives back a rent roll printout. As tenants make their payments the amount and date of the payment is recorded on this printout. At the end of the month when the monthly information is mailed to the fee accountant this printout is also included.

While we believe this appears to be an adequate internal control, we also recommend the Housing Commission consider purchasing a tenant software accounting package from a vendor. Most of the Housing Commissions in Michigan have already implemented this control.

**Resident Council**

Currently there is not a resident council. The Housing Commission receives \$25 per tenant in the operating subsidy.

I recommend the Housing Commission talk to its HUD advisor to see if the \$25 per tenant is being spent in accordance with HUD policies. I believe that a resident council needs to be established to determine how the \$25 per tenant is to be spent.

**214's**

The Housing Commission tenant files do not have the required naturalization forms (form 214) in them.

The Housing Commission as of July 31, 2006 has now included these signed forms in its' tenant files.

EAST JORDAN HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS (CONTINUED)  
December 31, 2005  
=====

**General Depository Agreements**

The Housing Commission does not have general depository agreements for each of the banks it has deposits with.

The Housing Commission is in the process of obtaining the general depository agreements from the banks it has deposits in.

EAST JORDAN HOUSING COMMISSION  
ADJUSTING JOURNAL ENTRIES  
December 31, 2005

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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There were no adjusting journal entries necessary.